

# AGENDA ITEM SUMMARY

March 17, 2015

City Council

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## STAFF

Susan Smolnik, Water Resources Engineer  
Beth Molenaar, Water Resources Engineer

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## SUBJECT

Second Reading of Ordinance No. 035, 2015, Establishing Rental Rates and Delivery Charges for Use of the City's Raw Water for the 2015 Irrigation Season.

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## EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on March 3, 2015, sets rates and charges for the rental and delivery of the Utilities raw water supplies. These rates are used to invoice agricultural, contractual and other water users.

On First Reading, the agenda item summary (AIS) indicated that the typical rental rate per Water Supply and Storage Company (WSSC) share is \$1,600 over the annual assessment per share. However, this was a typographical error as the typical rental rate per WSSC share is \$600 over the annual assessment per share. This has been corrected in the ordinance. The resultant rental rate per WSSC share is still \$3,500 per share, as indicated in the AIS on First Reading.

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## STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

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## ATTACHMENTS

1. First Reading Agenda Item Summary, March 3, 2015 (w/o attachments) (PDF)

## AGENDA ITEM SUMMARY

March 3, 2015

City Council

### STAFF

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Susan Smolnik, Water Resources Engineer  
Beth Molenaar, Water Resources Engineer

### SUBJECT

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First Reading of Ordinance No. 035, 2015, Establishing Rental Rates and Delivery Charges for Use of the City's Raw Water for the 2015 Irrigation Season.

### EXECUTIVE SUMMARY

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The purpose of this item is to obtain Council approval of rates and charges for the rental and delivery of the Utilities raw water supplies. These rates are used to invoice agricultural, contractual and other water users.

### STAFF RECOMMENDATION

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Staff recommends adoption of the Ordinance on First Reading.

### BACKGROUND / DISCUSSION

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The City is a shareholder in several local irrigation companies and holds allotment contracts for the delivery of Colorado Big-Thompson (CBT) water. The Utilities manages these assets. The main use for these raw water sources is in the treatment and delivery of potable water for the Utilities' ratepayers. There are also delivery obligations to provide raw water for use by HOAs, the school district, and several City departments. After these treated and raw water demands have been met, in most years there is surplus water that can be rented to other water users.

Staff is proposing two categories for pricing raw water. The first category, rental rates, is used to set prices for surplus water for use outside of the City or persons which have not been deemed to have satisfied the City's raw water requirement. Raw water rental sources are typically in demand and there are active rental markets. The second category, delivery charges, sets prices for sources where the Utilities has an obligation to provide raw water for persons which have been deemed to have satisfied the City's raw water requirement which is used to irrigate HOA greenbelts, Poudre School District's fields and the City's parks, golf courses, and cemeteries.

Each year prior to the irrigation season and after irrigation companies have established their annual assessments, the City Council approves the rental rates and delivery charges for the use of the Utilities' raw water for that irrigation season. Staff then uses these rates and charges for invoicing purposes. The attached tables show the assessment rates as set by the irrigation companies and the raw water rates charged by the Utilities for 2012 through 2014 as well as proposed rates for 2015.

- **ACTIVE RENTAL MARKETS FOR SURPLUS RAW WATER**

#### **North Poudre Irrigation Company (NPIC)**

**Rental Rates**-The Utilities expects to have surplus NPIC water that can be made available for rent. Each share of NPIC has an agricultural (Ag) component and a multiple use (MU) component. The amount of water

for each component varies annually and is set in April by the NPIC Board of Directors based on the company's water supply availability. Due to current legal constraints, the Ag component can only be used on land served by the NPIC system and is rented to shareholders under that system. The MU portion of each NPIC share is available for the Utilities' use and is largely comprised of NPIC-owned CBT water. When users under the NPIC system rent either Ag or MU water, it is delivered through the North Poudre system in the same manner. Therefore, it is proposed that both types of water be rented at the same rate per acre-foot.

In some years there is a special class of NPIC water available for agricultural users for a very limited time early in the irrigation season. If this Early Ag water is available in 2015, staff proposes a rental rate of \$15 per acre-foot to reflect its limited use.

This year, in order to ensure that the assessment costs are fully paid by the renter, it is proposed that the rate for the Ag or MU water be set using a formula that incorporates the NPIC annual assessment on each share of stock (set at \$200 for 2015) and the allocation of water to each share. The rental rate per acre-foot will be equal to the assessment divided by the sum of the April allocation of MU and Ag water plus a \$2.00 per acre-foot administration fee and then rounded up to the nearest dollar. The actual rate will not be known until the after the allocation is made in early April.

Setting the Ag and MU rental rate by using a formula is a departure from the usual approach of setting a fixed rate. Table 4A compares the calculated rates to the Council-set rates for the years 2011 through 2014. In most years, the two rates differ by only a few dollars. The exception is 2013 where the calculated rate would have been \$42.00 and the Council-set rate was \$30.00. It should be noted that in 2013 not many NPIC rentals were made due to the low storage levels in the CBT system. Table 4B provides a possible range of calculated 2015 rental rates using the assessment of \$200.00 with different potential allocations.

**Procedures-**The Utilities will continue to use a proportionate allocation method based on the requester's acreage, as has been done in past years. This allocation method uses information provided by potential renters about their total land holdings served under the NPIC system. These requesting acreages are then added together and are divided into the total volume of City-owned NPIC water determined to be available for rent in a given year. This acre-foot per acre ratio is then applied to each of the requesters' land holdings to determine the maximum amount of rental water available for each requester.

### **Colorado Big Thompson Water (CBT)**

**Rental Rate-**The Utilities receives CBT water under allotment contracts with the Northern Colorado Water Conservancy District (Northern) and through its ownership of NPIC stock as discussed above. To use the CBT water from its NPIC stock, the MU portion of the share is transferred as CBT water into the Utilities' CBT account. In the past, the Utilities paid nominal fees for these transfers under Northern's rules. Beginning in 2015, Northern will assess modified transfer fees that will be based on various factors. The result of the modified transfer fees is that the City will be assessed more money for such transfers. Given this cost, CBT water will only be transferred from the NPIC system on an "as needed" basis. However, this CBT water can be rented if the renter is willing to pay all associated transfer fees. Staff recommends that rentals of CBT water be made at a rate equal to the calculated NPIC Ag and MU rate plus the cost of any transfer fees associated with the rental.

**Procedures -**Utilities will first meet the CBT delivery obligations to City departments and other entities with delivery agreements. Any available surplus CBT water will then be offered to water users on the ditches that run through town. These ditches, known collectively as the "Southside Ditches", include the Arthur, New Mercer, Larimer No. 2, and Warren Lake Reservoir. The Pleasant Valley Lake Canal (PVLC) is also included in this group. Surplus CBT water will next be made available to other Poudre Basin water users. Finally, in the event that any surplus CBT water remains, it will be offered to others within the entire Northern District.

### **Water Supply and Storage Company (WSSC)**

**Rental Rates-**The decreed use of the Utilities-owned WSSC shares remains irrigation at this time and is rented to shareholders under that system. This has been an active rental market and the typical rental rate of a

WSSC share is \$1,600 over assessments. It is recommended that this formula is used to calculate the WSSC share rental rate. Using this formula in 2015, the resultant rental rate is \$3,500 per share.

**Procedures-** Shares will be offered via lottery as in past years.

**Reusable Sources**

The Utilities occasionally has rental demand for reusable sources to satisfy State requirements for substitute water supply and augmentation plans. The Utilities' primary reusable sources are Joe Wright Reservoir water and reusable effluent from the Utilities' water reclamation facilities, but may include water from the newly constructed Rigden Reservoir this year. It is proposed that the rental rate for these sources be set at \$600 per acre-foot for 2015.

- **RAW WATER DELIVERY AGREEMENTS**

**PVLC and the Southside Ditches Delivery Charges**

This category sets charges for water used on City facilities, such as parks and golf courses, or water used by other entities that have met the raw water requirements. Non-City entities with raw water delivery agreements are mostly HOAs and the Poudre School District. It is proposed that the charges be set at 10% above the irrigation companies' annual assessments per share. This is to help offset the Utilities' administrative costs.

**Reusable Water Delivery Charges**

The Utilities has delivery obligations for reusable water where the Utilities' raw water requirement has been met. For these obligations, it is proposed that a fee of \$120 per acre-foot be charged to help offset operational and administrative costs.

**CITY FINANCIAL IMPACTS**

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The revenue from the Utilities' rental and delivery of raw water is expected to be approximately \$400,000 for 2015. The revenues generated by the rentals helps to off-set the annual cost of raw water ownership.

**BOARD / COMMISSION RECOMMENDATION**

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At its February 19, 2015 meeting, the Water Board unanimously voted to recommend adoption of the formulas and fixed rates for the 2015 rental rates and delivery charges.

**PUBLIC OUTREACH**

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Announcements were made at NPIC and WSSC irrigation company annual meetings regarding the availability of rental water and the processes for making requests.

**ATTACHMENTS**

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1. Proposed Rates and Charges (PDF)
2. Raw Water Assessments (PDF)
3. Raw Water Rates and Charges 2012-2015 (PDF)
4. NPIC Rental Rate Comparisons (PDF)
5. Sustainability Assessment Summary(PDF)
6. Water Board minutes, February 19, 2015 (draft) (PDF)

ORDINANCE NO. 035, 2015  
 OF THE COUNCIL OF THE CITY OF FORT COLLINS  
 ESTABLISHING RENTAL RATES AND DELIVERY CHARGES  
 FOR USE OF THE CITY'S RAW WATER FOR THE 2015 IRRIGATION SEASON

WHEREAS, pursuant to Article XII, Section 4 of the City Charter, if at any time the water supply is greater than the immediate needs of the City and its inhabitants, the City Council may authorize the City Manager to permit the use of such surplus water by consumers outside the City at such rates as the City Council may prescribe, provided that no vested right shall accrue under such permits; and

WHEREAS, pursuant to Article XII, Section 6 of the City Charter, the City Council shall by ordinance from time to time fix, establish, maintain, and provide for the collection of such rates, fees, or charges for water furnished by the City as will produce revenues sufficient to pay the cost of operation and maintenance of the City's utilities in good repair and working order and to provide and maintain an adequate working capital fund for the day-to-day business operations of the utilities; and

WHEREAS, the Water Board discussed the rental program and the rates on February 19, 2015 and recommended that the rental rates and delivery charges set forth herein be prescribed; and

WHEREAS, City staff and the Water Board have made a recommendation to City Council regarding rental rates of surplus raw water for the 2015 irrigation season, as set forth in the following table, to be made available to persons outside the City or persons which have not been deemed to have satisfied the City's raw water requirements; and

<b>RATES FOR RENTALS OF SURPLUS RAW WATER</b>	
<b>Type of Water</b>	<b>Rate Per Acre Foot</b>
North Poudre Irrigation Company (NPIC): Early Agricultural Use Water	\$15.00 per acre foot
NPIC: Seasonal Agricultural Use and Multiple Use Water	(Annual Assessment for 2015 of \$200.00 per share / (Sum of Allocation of Seasonal Agricultural Use and Multiple Use Water per share)) + \$2.00 per acre foot
Colorado-Big Thompson Water from the Northern Colorado Water Conservancy District (NCWCD)	Rate for NPIC: Seasonal Agricultural Use and Multiple Use Water + any NCWCD transfer fees calculated at the time of transfer
Reusable Sources	\$600.00 per acre foot
<b>Type of Water</b>	<b>Rate Per Share</b>
Water Supply and Storage Company	Annual Assessment for 2015 + \$1,600.00 share

WHEREAS, City staff and the Water Board have made a recommendation to City Council regarding raw water delivery charges for the 2015 irrigation season, as set forth in the following table, to be made available to persons deemed to have satisfied the City's raw water requirements; and

<b>RAW WATER DELIVERY CHARGES</b>	
<b>Type of Water</b>	<b>Rate Per Share</b>
Arthur Irrigation Company	110% of Annual Assessment for 2015
Larimer County Canal No. 2 Irrigating Company	110% of Annual Assessment for 2015
New Mercer Ditch Company	110% of Annual Assessment for 2015
Pleasant Valley and Lake Canal Company	110% of Annual Assessment for 2015
Warren Lake Reservoir Company	110% of Annual Assessment for 2015
Sherwood Reservoir Company	110% of Annual Assessment for 2015
Sherwood Irrigation Company	110% of Annual Assessment for 2015
<b>Type of Water</b>	<b>Rate Per Acre Foot</b>
Reusable Sources	\$120.00 per acre foot

WHEREAS, the rental rates and delivery charges in the above tables will be rounded to the nearest dollar, when necessary; and

WHEREAS, the rental rates and delivery charges in the above tables will be adjusted by City staff, as necessary, to reflect the remaining yield or the prevalent market price of the water or shares being rented in order to prevent undue economic loss to the City; and

WHEREAS, City Council finds that the rates set forth herein are appropriate and will provide revenues sufficient to pay the cost of operation and maintenance of the City's utilities in good repair and working order and to provide and maintain an adequate working capital fund for the day-to-day business operations of the utilities.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the rental rates and delivery charges set forth above are hereby approved as the City's rental rates and delivery charges for the 2015 irrigation season and the City Manager and the Utilizes Executive Director are authorized to rent or deliver such raw water to eligible water users at the rental rates and delivery charges set forth above.

Introduced, considered favorably on first reading, and ordered published this 3rd day of March, A.D. 2015, and to be presented for final passage on the 17th day of March, A.D. 2015.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading on the 17th day of March, A.D. 2015.

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Mayor

ATTEST:

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City Clerk